



Yasushi Higuchi
Chairperson, Director

Apr 1976 Joined Kumagai Gumi Co., Ltd.
Jun 2003 Representative Director and President of K&E Co., Ltd.
Apr 2008 Executive Officer of the Company/Branch Manager of the Tohoku Branch of the Company
Apr 2011 Managing Executive Officer of the Company
Apr 2012 Senior Managing Executive Officer of the Company
Apr 2013 Executive Vice President of the Company
Jun 2013 President/Representative Director of the Company
Apr 2018 Chairperson and Director (Current)



Susumu Ogawa
Senior Managing Director and Senior Managing Executive Officer
In charge of International Business, in charge of Marketing

Apr 2010 Manager of Public and Finance Institutions of Sumitomo Mitsui Banking Corporation
Apr 2012 Senior Inspector of the Audit Department of Sumitomo Mitsui Banking Corporation
Jun 2012 Executive Advisor, Kumagai Gumi Co., Ltd.
Jul 2012 Managing Executive Officer of the Company
Jun 2013 Managing Director of the Company
Apr 2014 Senior Managing Director/Senior Managing Executive Officer of the Company (Current)
Apr 2015 In charge of International Business/Domestic Architectural Marketing at the Company
Apr 2017 In charge of International Business, In charge of Marketing at the Company (Current)



Yoshiaki Ogawa
Senior Managing Director and Senior Managing Executive Officer
General Manager of the Architectural Management Division

Apr 1982 Joined Kumagai Gumi Co., Ltd.
Apr 2011 Executive Officer of the Company
Apr 2012 Deputy General Branch Manager of the Kansai Branch of the Company
Apr 2013 Managing Executive Officer/Branch Manager of the Kansai Branch
Apr 2017 Senior Managing Executive Officer (Current), General Manager of the Architectural Management Division of the Company (Current)
Jun 2017 Senior Managing Director of the company (Current)



Yasunori Sakurano
President, Representative Director
CEO and President

Apr 1981 Joined Kumagai Gumi Co., Ltd.
Apr 2010 General Manager of the Personnel Division of the Company
Apr 2011 Executive Officer of the Company
Jun 2012 Director of the Company
Apr 2014 Managing Director/Managing Executive Officer/General Manager, Management Administration Division of the Company
Apr 2015 Managing Director/Executive Officer/General Manager, Corporate Planning Division of the Company
Apr 2017 Senior Managing Director/Senior Managing Executive Officer of the Company
Apr 2018 President and Representative Director of the Company (current)



Yoshihiko Kato
Senior Managing Director and Senior Managing Executive Officer
General Manager of the Civil Engineering Management Division, General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division

Apr 1982 Joined Kumagai Gumi Co., Ltd.
Apr 2013 Executive Officer/Deputy General Branch Manager of the Tohoku Branch of the Company
Apr 2014 Managing Executive Officer, General Manager of the Civil Engineering Management Division of the Company (Current)
Jun 2014 Managing Director of the Company
May 2016 General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division of the Company (Current)
Apr 2017 Senior Managing Director/Senior Managing Executive Officer of the Company (Current)



Koji Hidaka
Managing Director and Managing Executive Officer
General Manager of the Administration Division in charge of Discipline and Personal Information Protection

Apr 1981 Joined Kumagai Gumi Co., Ltd.
Apr 2012 Joint General Manager of the Administration Division of the Company
Apr 2013 Executive Officer of the Company
Apr 2015 General Manager of the Administration Division of the Company (Current)
Apr 2016 In charge of Discipline at the Company (Current); In charge of Personal Information Protection at the Company (Current)
Apr 2017 Managing Executive Officer of the Company (Current)
Jun 2018 Managing Director of the Company (Current)



Koichi Hironishi
Director

Apr 1968 Joined Fujitsu Ltd.
Jun 2003 Representative Director and President of Fujitsu Advanced Solutions Limited
May 2005 Corporate Executive Officer of FUJITSU LIMITED
Jun 2008 Director and Vice President of FUJITSU LIMITED
Jun 2009 Representative Director and Vice President of above company
Jun 2010 Representative Director and Chairman of FUJITSU FSAS INC.
Jun 2015 Director, Kumagai Gumi Co., Ltd. (Current)

* Mr. Koichi Hironishi and Ms. Mikie Yumoto are both outside directors of the company.



Junji Konishi
Standing Audit & Supervisory Board Member

Apr 1981 Joined Kumagai Gumi Co., Ltd.
Apr 2007 General Manager of the Administration Department of the Kyushu Branch of the Company
Apr 2010 General Manager of the Administration Department of the Chushikoku Branch of the Company
Apr 2014 Assistant General Manager of the Chushikoku Branch of the Company
Jun 2017 Standing Audit & Supervisory Board Member (Current)



Tatsuru Satoh
Audit & Supervisory Board Member

Apr 1978 Joined Sumitomo Forestry Co., Ltd.
Apr 2011 General Manager of Personnel Department of above company
Jun 2012 Executive Officer of above company
Apr 2013 Managing Executive Director of above company
Jun 2013 Director of above company
Apr 2016 Senior Managing Executive Officer of above company
Apr 2018 Representative Director of above company (Current); Executive Vice President and Executive Officer of above company (Current)
Jun 2018 Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (Current)

* Mr. Masaaki Ayukawa and Mr. Yutaka Takehana are both outside Audit & Supervisory Board Members.



Mikie Yumoto
Director

Apr 1971 Joined IBM Japan Ltd.
May 1981 Joined American Family Life Assurance Company of Columbus, Japan Branch (Aflac)
Jan 1995 Manager of the Human Resources Development Department of Aflac
Jan 1997 Director, Aflac
Jan 1999 Executive Officer, Aflac
Jan 2006 Representative of Rischiare Consulting (Current)
Jun 2016 Director, Kumagai Gumi Co., Ltd. (Current)



Masaaki Ayukawa
Audit & Supervisory Board Member

Apr 1969 Joined Chuo Aoyama Audit Corporation
Feb 1971 Registered as Certified Public Accountant
Mar 1983 Representative Partner, Chuo Aoyama Audit Corporation
May 2000 Senior General Manager of Chuo Aoyama Audit Corporation
Mar 2009 Full-Time Statutory Auditor of Tonen General Sekiyu K.K.
Jun 2014 Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (Current)
Mar 2016 Outside Director (Audit Supervisory Committee Member) of AUCNET INC. (Current)



Yutaka Takehana
Audit & Supervisory Board Member

Apr 1973 Joined National Police Agency
Sep 2001 Chief of Police, Hiroshima Prefecture
Jun 2003 Vice Governor of Tokyo Metropolis
Apr 2009 Senior Executive, Panasonic Corporation
Jun 2013 President & CEO, Tokyo Big Sight Inc.
Jun 2015 Outside Director, SOHGO SECURITY SERVICES CO., LTD. (ALSOK)
Sep 2017 Advisor, Meiji Yasuda Life Insurance Company (Current)
Jun 2019 Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (Current)

Basic Philosophy

In order to make our Management Philosophy of "We aim to serve as a corporate group that contributes to society through business activities centered on construction" a reality, we position enhancement of the efficacy of our corporate governance as a priority issue.

Corporate governance structure

Drawing on the aims of the Corporate Governance Code, Kumagai Gumi has adopted a corporate governance structure that comprises a Board of Directors, a Board of Corporate Auditors, and an independent accounting auditor to enhance the effectiveness of our corporate governance.

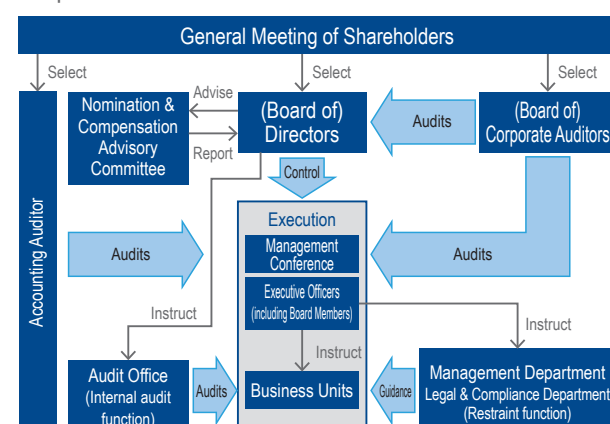
We have clarified the managerial responsibility of directors, and, to build an optimal management structure with respect to changes in the business environment, have set the term of office of directors to one year. We also employ an executive officer system to ensure that the duties of directors are executed efficiently. In addition, we appoint two outside directors who provide counsel to management from an objective standpoint.

In determining the nomination and amounts of compensation for directors and executive officers, we conduct deliberation within the Board of Directors on the basis of reports by the Nomination & Compensation Advisory Committee, which is composed of the Representative Director and outside directors, in order to further ensure objectivity and transparency.

With regard to corporate auditors, we appoint outside auditors from among persons who have appropriate experience and capabilities knowledge concerning finances, accounting, and legal matters, in order to conduct audits with high efficacy.

Regarding accounting audits, we undergo impartial audits by GYOSEI & CO. in accordance with the Companies Act and the Financial Instruments and Exchange Act.

Corporate Governance Structure



Improvement of the effectiveness of internal controls

To enhance the efficacy of our internal control, we are working to review internal rules and management conferences as required, and to otherwise continually improve our systems, based on our Basic Policy to Establish Internal Control Systems.

In addition, the Kumagai Gumi Group as a whole is engaged in the improvement and operation of internal control aimed at maintaining the reliability of our financial reporting, in accordance with the Financial Instruments and Exchange Act.

Evaluation of the effectiveness of the Board of Directors

From the past, our company has implemented improvements to secure the efficacy of the Board of Directors. Once a year since 2015, we use a questionnaire to conduct an evaluation by directors and auditors of the efficacy of the Board of Directors. We then study the results in Board of Directors meetings, and engage in consideration of improvements to ensure efficacy. Based on our evaluation in FY2018, we carried out a review of the evaluation items and evaluation results by external experts, and are using this to ensure and improve efficacy.

In evaluations involving the efficacy of the Board of Directors in FY2018, we conducted self-evaluations using evaluation items including the composition of the Board of Directors, its operation, agendas, and support structures, and the status of improvement from the previous fiscal year. Based on the findings of reviews by outside experts, we confirmed that the board as a whole is appropriately carrying out its role and responsibilities, and we determined that the efficacy of the Board of Directors overall is secured.

In addition, based on the issues for improvement shared following evaluations of the efficacy of the Board of Directors in FY2017, we strove to energize deliberation in the Board of Directors by holding study sessions following the conclusion of board meetings, as well as by enhancing information sharing through progress reports on plans and by sharing information in a timely manner.

In order to further enhance the efficacy of the Board of Directors in the future, we will continually address issues for improvement shared through evaluations of the efficacy of the Board of Directors in FY2018. These include the further practice of constructive and active declarations of opinion, the enhancement of information sharing for supervising the execution of work with high efficacy, and the promotion of delegation of authority by reviewing criteria for inclusion in agendas.

Executive compensation

Cash compensation for directors and top management is composed of compensation according to position, plus basic compensation that reflects results in contributing to annual performance plans based on the Medium-term Management Plan, and extraordinary bonuses linked to business performance. (Outside directors receive basic compensation only, with results of contribution not reflected.) Amounts of compensation are determined by the Board of Directors within the limits on compensation for directors determined at General Meetings of Shareholders, and take into consideration factors including employee wage levels and marketplace compensation levels, as well as findings reported by the Nomination & Compensation Advisory Committee.

In addition, the company has adopted a stock compensation system employing trusts, by which the company grants points based on position, etc. each fiscal year to directors (excluding outside directors) and top management, and, generally at the time of retirement, grants shares of stock, etc. based on the cumulative number of points.

Reasons for appointment of outside directors/
Attendance at Board of Directors meetings (FY2018)

Name	Reason for appointment	Attendance
Koichi Hironishi	Koichi Hironishi has a track record of participation in corporate management. Based on his resulting extensive experience and wide-ranging insights, the company has appointed him outside director in anticipation that he will provide appropriate guidance and advice to the company's management.	16 times/ 18 times
Mikie Yumoto	Mikie Yumoto has a track record of participation in corporate management. Based on her resulting extensive experience and wide-ranging insights, the company has appointed her outside director in anticipation that she will provide appropriate guidance and advice to the company's management.	18 times/ 18 times



Site visit by outside directors

Strategic stock holdings

(1) Policies concerning the reduction of strategic stock holdings

Our company carries out reductions in strategic stock holdings, other than stock held for the purpose of strengthening transactions and collaborative relationships to improve sustainable corporate value, or to capture earnings opportunities. Moreover, every year the Board of Directors conducts verification of strategic stock holdings, and sells or reconsiders the number of held shares for which the significance of holding is deemed to have lessened.

(2) Results of verification of the significance of strategic stock holdings

From a comprehensive perspective, our company performs verification of whether earned profits, etc. based on various transactions with investee companies are in line with our cost of capital, and whether holding the stock of investee companies is beneficial to the execution of our business. By doing so, we confirm the significance of our strategic stock holdings.

(3) Criteria for the exercise of voting rights involving strategic stock holdings

In exercising voting rights for strategic stock holdings, our company employs criteria for determining whether the exercise of voting rights leads to improvement of corporate value in the investee company from a medium-to long-term perspective. We exercised voting rights for the following sort of proposals, after particularly careful consideration from the perspective of improvement of corporate value.

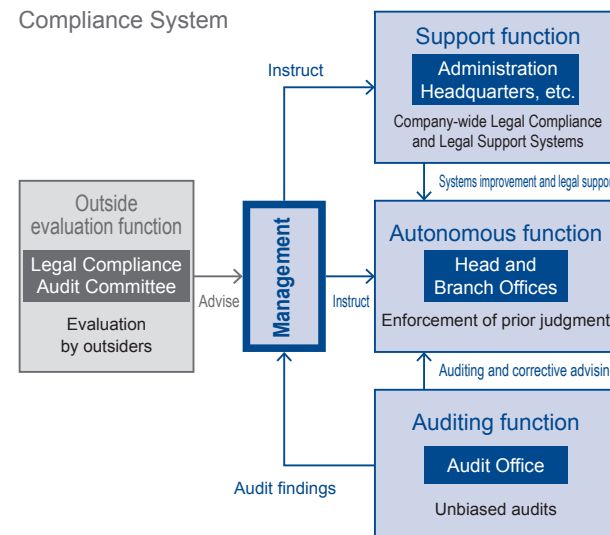
- Organizational restructuring including mergers, acquisitions, and transfer of important business
- Presentation of executive retirement benefits implemented by companies with excessive debt or other poor business performance
- Capital increase through third-party allotment via interest-bearing issuance
- Introduction of hostile takeover defense measures, etc.

Compliance system

Our company's compliance system consists primarily of three internal functions: Autonomous functions by headquarters and branch offices, support functions by the administration head office and other specialized divisions, and audits by the Audit Office.

In addition, the Legal Compliance Committee, an organization independent of management, periodically carries out evaluations of the company from an outsider's point of view and advises the management of any problems uncovered, in order to strengthen the enforcement of compliance.

Compliance System



Legal Compliance Audit Committee

The Legal Compliance Audit Committee is composed of internal company committee members as well as outside committee members who include former judges and former prosecutors. It convenes every year to strengthen the compliance systems of Kumagai Gumi Group.

Our initiatives toward legal compliance

Submission of written pledge from all managers and employees

To raise all employees' awareness in enforcing compliance with laws and ordinances, every year all executives and staff members of Kumagai Gumi Group submit a written pledge concerning compliance (100% submission rate).

Implementation of compliance training

To improve basic understanding of compliance, from October 2018 through March 2019 our company conducted

an internal training program on topics including antitrust law, bribery, and corruption, targeting employees of Kumagai Gumi as well as group companies, from a perspective of strengthening the group's compliance structure.

Compliance reinforcement month

Kumagai Gumi has designated October as the month to strengthen compliance, in an attempt to enhance employees' awareness of compliance and to re-examine potential risks in daily work.

Internal whistleblower system

Our company has set up a hotline for quickly assessing, correcting, and preventing problems involving compliance. We are working to root out compliance violations by accepting a wide range of whistleblower reports, including from our employees, group company employees, and partner businesses.

System to eradicate anti-social forces

In the Kumagai Gumi Code of Conduct, our company declares that we take a firm stance against anti-social forces. We have also established a program for dealing with anti-social forces, and educate our employees on specific ways of eliminating such forces.

We have also incorporated provisions regarding anti-social forces into the Special Construction Contracting Agreement and the Equipment and Material Sales Agreement that we use for transactions with partner companies. We are working to thoroughly eliminate any involvement with anti-social forces by collecting written pledges prior to concluding agreements with transacting partners.

Status of Legal Suits

Excluding lawsuits for tunnel-related pneumoconiosis damage compensation in six district courts nationwide, as of the end of March 2019 our company is involved in four civil cases.

Legal Violations (including administrative disposition, administrative measures, etc.)

In FY2018, our company was involved in no legal violations, including administrative disposition or administrative measures.

Business Continuity Plan (BCP)

Kumagai Gumi has formulated a Business Continuity Plan (BCP) that will enable our primary business to continue operating even in the event of large-scale disasters, through means including recovery support and reconstruction work on behalf of customers and local residents. We have also established a permanent Crisis Control Committee to maintain and improve the effectiveness of BCP. We create a PDCA-based plan for BCP activities each fiscal year, and cooperate with branch offices, group companies, and partner companies on drill planning and training. We continue working to improve and enhance our BCP so that we can remain a construction company that earns the trust of customers and contributes to society.

Operation of the Safety Confirmation Communication System

We operate a Safety Confirmation Communication System to confirm the safety of employees, a key matter in preparing support systems based on our BCP. We are implementing a system that enables confirmation of the safety of employees in group companies and some partner companies, and are improving systems for the business continuity of the Kumagai Gumi Group.

Protection of personal data

Kumagai Gumi has established fundamental rules and regulations, such as the Basic Principle, the Privacy Policy, and the Personal Information Protection Regulations, and has posted the necessary information on its website, in order to properly handle and protect the private information of all stakeholders, including shareholders and employees.

We have also prepared an instruction manual for all employees that concerns the Personal Information Protection Law, and communicate the importance of personal data protection to all executives and staff members, as we continue to improve our personal information protection systems and methods.

Business and other risks

Regarding the business and financial status of Kumagai Gumi, items such as the following may have a significant impact on decisions of investors, and are deliberated by the Management Conference and supervising committees.

(1) Trends in construction investment

When construction investment by government offices, private capital investment, housing investment, etc. have fluctuated significantly

(2) Fluctuations in the prices of construction materials and labor

When suddenly market inflation or labor shortages have occurred

(3) Business partner credit risk

Construction delays, inability to recover claims, etc. when credit uncertainty has occurred among orderers, contractors, joint contractors, etc.

(4) Business expansion overseas

When unexpected events have occurred in the country's political situation, economy, etc., and the political and economic situation has deteriorated

(5) Exchange rate fluctuations

Fluctuations in exchange rates when local currency-denominated transactions, assets, liabilities, revenue, and expenses are converted into yen by the company

(6) Fluctuations in interest rates

Future interest rate conditions, such as a rapid rise in interest rates

(7) Legal regulations

Adaption when laws concerning the operation of construction businesses (construction industry laws, construction recycling laws, etc.) are revised
When unforeseen circumstances such as environmental pollution caused by construction work have occurred

(8) Effects of natural conditions on the construction business

Geological or ground conditions, natural conditions such as weather, unexpected phenomena in the natural environment, etc.

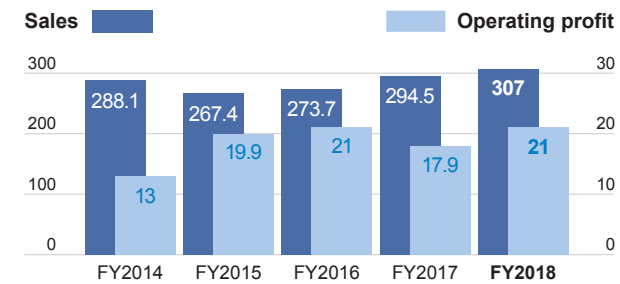
(9) Occupational disasters and accidents in the construction business

Expenses required for compensation, etc. in the event of occupational disasters or accidents

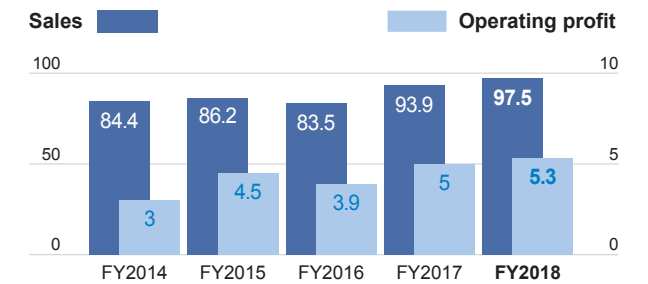
(10) Defects in construction, etc.

Major expenses which may be incurred for repair in the case of major defects in structures, etc. which we have constructed

Kumagai Gumi only (Unit: billion yen)



Subsidiaries (Unit: billion yen)



* Value after deduction of intra-group transactions

General Contractor

Kumagai Gumi Co., Ltd.

Kumagai Gumi implements its projects in close collaboration with its group companies by effectively utilizing and mutually complementing the technologies, expertise, products and management resources held by the group companies, so as to maximize its collective capabilities.

<https://www.kumagaigumi.co.jp/en/index.html>
Corporate
Information

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Civil Engineering

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Construction

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Overseas and
Other Business

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Road paving

Manufacture and sales of
asphalt mixture, etc.

GAEART Co., Ltd.

GAEART Co., Ltd. engages in construction work centered on paving services for roads, airports, harbors, bridges, etc., as well as the manufacture and sale of asphalt paving materials, etc.



Established November 1963
Head office 8-27 Shinogawamachi,
Shinjuku-ku, Tokyo
Capital ¥1,000,000,000
Sales ¥50,623,000,000
(FY ended March 2019)
No. of employees 756 (as of March 2019)
Representative Kenji Yamamoto
Officer

<https://www.gaeart.com> (Japanese only)
Public works renewal
Equipment manufacture

Technos Co., Ltd.

At its Toyokawa Factory headquarters, Technos designs, manufactures, and installs steel segments for shield tunnels, construction machinery, and soil decontamination equipment, along with leasing of the ACEUP steel frame construction method.



Established February 1996
Head office 2-1 Honohara, Toyokawa,
Aichi Prefecture
Capital ¥470,000,000
Sales ¥8,366,000,000
(FY ended March 2019)
No. of employees 173 (as of March 2019)
Representative Eiji Morita
Officer

<http://www.technos.info> (Japanese only)
Trading company specializing
in construction

FATEC Co., Ltd.

FATEC Co., Ltd. is a trading company that sells construction materials and equipment developed with state-of-the-art technologies. Currently the company is engaged in the development of technologies related to maintenance and renovation, primarily in the construction sector. It is also advancing development of independent walking aid devices in the welfare and nursing care sector.



Established June 1989
Head office 2-1 Tsukudocho,
Shinjuku-ku, Tokyo
Capital ¥20,000,000
Sales ¥3,062,000,000
(FY ended March 2019)
No. of employees 8 (as of March 2019)
Representative Takayuki Aono
Officer

<http://www.fa-tec.co.jp/> (Japanese only)

Building renovation

K&E Co. Ltd.

As a specialist in building renovation, K&E Co., Ltd. comprehensively offers planning and design incorporating building surveys and diagnosis, seismic diagnosis and reinforcement design, and proposals for comfortable spaces, as well as construction work leveraging technological capabilities, after-sales service, and more.



Established January 2001
Head office 2-1 Tsukudocho,
Shinjuku-ku, Tokyo
Capital ¥300,000,000
Sales ¥23,618,000,000
(FY ended March 2019)
No. of employees 354 (as of March 2019)
Representative Kazuhisa Iwama
Officer

<http://www.k-and-e.co.jp/> (Japanese only)

Construction in Taiwan

Taiwan Kumagai Co., Ltd.

Taiwan Kumagai Co., Ltd. was established in Taiwan in 1974 as a Kumagai Gumi Group company. It has a best-in-class track record as a general contractor, bringing Kumagai Gumi technology to Taiwan.



Established December 1974
Head office Room 8 (1408), 12F, No.
205, Section 1, Dunhua
South Road, Taipei, Taiwan
Capital 600,000,000 NTD
Sales ¥10,252,000,000
(FY ended December 2018)
No. of employees 182 (as of March 2019)
Representative Toyohiko Ina
Officer

<http://www.taiwankumagai.com.tw/>
Production of construction
drawings
Education businessTechno-Space Creates
Co., Ltd.

Utilizing CAD and information systems, Techno-Space Creates provides software services that span the planning phase to the completion of projects, including preparation of construction and architectural schematics and application documents.



Established November 1993
Head office 9F Showa Bldg., Higashi-
Ikebukuro 3-12-12,
Toshima-ku, Tokyo
Capital ¥30,000,000
Sales ¥797,000,000
(FY ended March 2019)
No. of employees 57 (as of March 2019)
Representative Tsukasa Wakuta
Officer

<https://www.technsp.co.jp/> (Japanese only)
Clerical services
Insurance agency

Technical Support Co., Ltd.

Technical Support supports the strengthening of clients' core business through outsourcing services for vital but complex work and work that requires expert knowledge. It also offers insurance plans as an agency handling both life and non-life insurance.



Established July 1995
Head office 2-1 Tsukudocho,
Shinjuku-ku, Tokyo
Capital ¥70,000,000
Sales ¥556,300,000
(FY ended March 2019)
No. of employees 37 (as of March 2019)
Representative Hiroshi Shimura
Officer

<http://www.tsp-kumagai.co.jp/> (Japanese only)

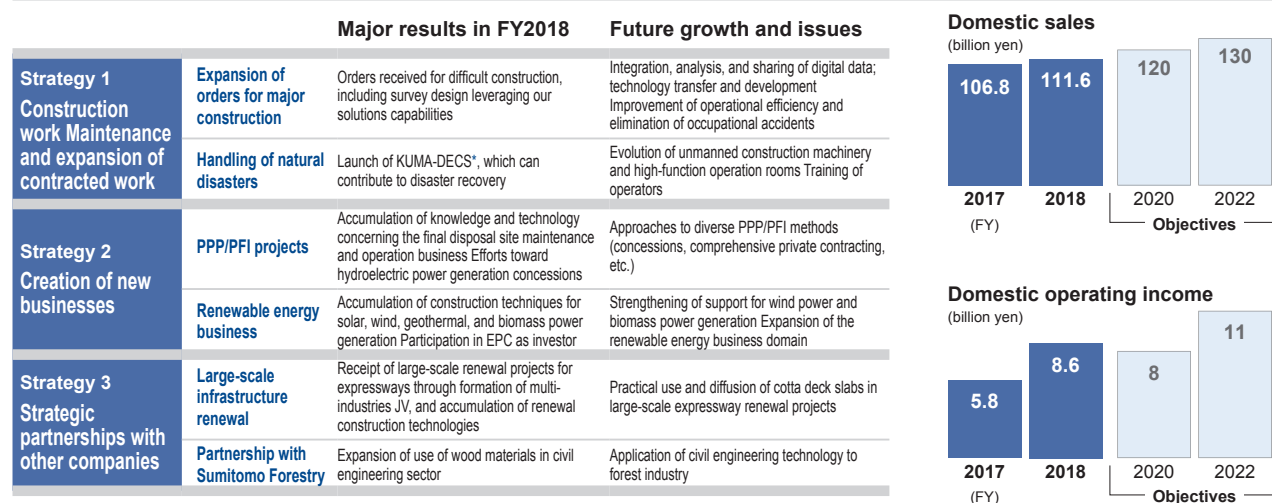


We will quickly respond to expanding societal issues such as increasingly severe natural disasters, social infrastructure reaching the stage of large-scale renewal, and the inexorably declining birthrate and aging population. Through manufacturing, we will deliver inspiration and happiness that leads to an abundant society in the next generation.

Senior Managing Director, Senior Managing Executive, General Manager of the Railway Project Promotion Division of Civil Engineering Management Division

Yoshihiko Kato

Progress of the Medium-Term Management Plan (2018-2020)



* A name incorporating an acronym for Disaster, Emergency, Construction work, and Support.

■ Looking back on FY2018

In FY2018, orders for private-sector construction, including the Chuo Shinkansen maglev line and renewable energy projects, were robust, reaching the highest level in nearly 20 years. More than the amount of the orders, I believe that there was value in the opportunities that we gained to further polish our Worksite Excellence through difficult projects, and to connect these more advanced technological development. These projects included the Kitashinagawa portion of the Chuo Shinkansen maglev line No. 1 metropolitan tunnel (length 9.2 km, shield construction), the Omori portion of the Chuo Shinkansen maglev line No. 1 Chukyo tunnel (length 4.9 km, mountain tunnel), the Arishima portion of the Hokkaido Shinkansen Yotei tunnel (length 4.2 km, SENS method tunnel construction), and Tohoku Expressway Towada renewal construction (length 66 km, bridge deck slab replacement construction).

In terms of profits, too, we saw considerable improvement from the previous fiscal year due to the strength of major construction projects. Amid this increase in construction work on hand, we recognize that furthering the evolution of the IoT, AI, and unmanned construction technology to achieve substantive productivity increases in construction is an issue that we face in successfully reforming work styles, especially in correcting long working hours.

The construction industry is seeing an increase in new workers coming from other industries or from overseas, and ensuring safety and proper treatment for unfamiliar faces is a new issue.

■ Future initiatives

To respond to long-term changes in the construction industry, we have worked to enhance our main business of construction contracting, and have expanded Kumagai Gumi's "defensive range" into the domains of project planning, such as PPP/PFI, concessions, ECI, and DB, and domains of maintenance, repair, and renewal, as seen in large-scale renewal of expressways. Looking ahead, we will build up new know-how gained through construction work, and and will enter the stage of connecting this to our next projects. We will start accumulating digital data as a first step toward this. We will collect video, CIM, 3D data, and more in the cloud, and analyze and share these, so that we can connect them to the transfer and development of technology and to the streamlining of work. We will also continue making efforts in overseas civil engineering and renewable energy projects.

A succession of natural disasters occurred in 2018. Kumagai Gumi responded to requests for aid from afflicted areas, dispatching employees, heavy machinery, operators, and more. In order to respond even more quickly, we launched the KUMA-DECS disaster recovery team together with 17 major civil engineering company members of "Yuuei Kyoryoku Kai*". We also began training operators in parallel with the evolution of unmanned construction machinery and high-function operation room technologies, and will prepare for the occurrence of disaster.

* A group composed of 868 (as of April 1, 2019) partner companies of Kumagai Gumi.



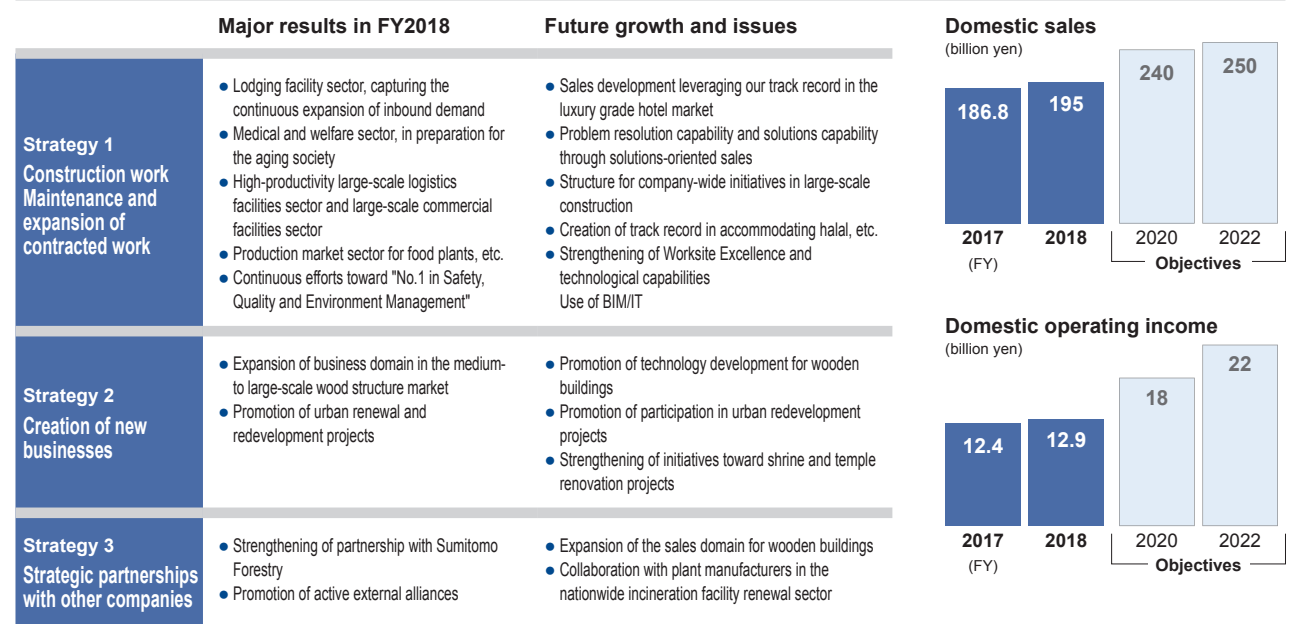
We will strengthen solution-oriented sales that resolve customer issues, and will build relationships of trust with customers.

With a goal of 250 billion yen in net sales and 22 billion yen in operating income 5 years from now, each and every one of us will continue our efforts to raise productivity and strengthen Worksite Excellence.

Senior Managing Director, General Manager of the Architectural Management Division

Yoshiaki Ogawa

Progress of the Medium-Term Management Plan (2018-2020)



■ Looking back on FY2018

In order volume, we were able to greatly surpass our targets. Reasons for this include apt response to the marketplace though the strengthening of initiatives for large-scale projects and the strengthening of solutions-oriented sales that resolve customers' issues in the execution of their projects, which led to our winning construction orders while building relationships of trust with customers.

Looking at net sales, delayed deliveries of materials had some effect, leading to results slightly under target. However, we maintained a high level of profit margin.

In addition, our work on Roadside Station Mashiko (Mashiko, Tochigi Prefecture) and Tajimi City Crematorium Hanadate Yasuraginomori (Tajimi, Gifu Prefecture) received BCS awards for architectural work incorporating advanced construction technology. We will continue to further deepen and hand down our technologies.

■ Future initiatives

The origins of our business lie in manufacturing with safety and integrity, to deliver quality that customers can trust. We will not change in our goal of working as one to achieve "Be No.1 in Safety, Quality and Environment Management."

Looking at the environment for orders, we foresee robust construction demand, including in the hotel sector due to inbound demand, and the medical and welfare sector in preparation for the aging of society.

We will continue striving to resolve customers' issues in advancing projects, and will focus on strengthening our project proposal capabilities. In addition, we will strengthen our urban renewal business, including the urban district redevelopment business and real estate development business. Through such sales activities, we aim to make a special mission of increasing orders in private-sector architecture.

Moreover, viewing wood and the promotion of building with wood as a growth sector, we established a new Medium- to Large-Scale Wood Architecture Promotion Office. We will highlight the merits of wood in proposals and productization aimed at stores, hotels, senior facilities, and more.

Through the promotion of BIM and electronic commerce, the active adoption of ICT tools in workplaces, and other initiatives, we will promote the enhancement of productivity.



We will respond flexibly to qualitative and quantitative changes in the domestic construction market, will aim to diversify our revenue base outside of the construction contracting business to secure a stable revenue base, and will promote our overseas business, PPP/PFI/concession business, and development business.

Namxouang Aquaculture Development Center Construction (Vientiane special municipal zone, Laos)

Progress of the Medium-Term Management Plan (2018-2020)

Major results in FY2018		Future growth and issues	
Strategy 1 Maintain and increase contracted construction businesses	Overseas	<ul style="list-style-type: none">Completion of Namxouang Aquaculture Development Center Construction (Laos)Construction of plants by Japanese companies is at a peak (India)Receipt of order for the Yulon Motor new commercial mall, said to be a posthumous work of the late Zaha Hadid (Taiwan Kumagai/Taiwan)	<ul style="list-style-type: none">Aim to win construction orders for ODA projects and from Japanese companiesWinning orders for ongoing and related construction, and preparing a management foundation (India)While aiming for continued receipt of orders, also work toward receipt of orders for landmark construction projects (Taiwan Kumagai/Taiwan)
Strategy 2 Create new and innovative businesses	Overseas	<ul style="list-style-type: none">Receipt of order for Tate's Cairn Tunnel MOM Project, the second of the Hong Kong MOM projects	<ul style="list-style-type: none">Aim to continue winning orders for MOM projects in Hong KongAim to advance into new development projects in cooperation with local developers (Hong Kong)
	Domestic	<ul style="list-style-type: none">Initiatives aimed at large and diverse projects, and self-supporting businessesPromotion of urban renewal and redevelopment projects	<ul style="list-style-type: none">Acceleration of entry into businesses including investmentPromotion of entry into urban redevelopment projects
Strategy 3 Form strategic alliances with other companies	Overseas	<ul style="list-style-type: none">Collaborative projects overseas with Sumitomo Forestry, etc. are under consideration	<ul style="list-style-type: none">Internal consideration of business expansion destination, and execution

Looking back at FY2018

Overseas Projects

In 2018 we completed construction of the Namxouang Aquaculture Development Center in Laos, a pro bono government project that we were awarded in 2017. In Myanmar, we have received orders for ongoing construction work from Japanese companies. In India, orders received by our local subsidiary for plant construction for Japanese companies have reached a peak.

Our subsidiary in Taiwan, in recognition of its track record, was able to win the order for the Yulon Motor new commercial mall, considered a posthumous work of the late Zaha Hadid. The project is expected to become a new landmark when completed.

To win construction orders, we are constructing a system in Japan to support overseas sites. In FY2018, with our sights on the invigoration of our overseas business, we held the 1st Global Staff Meeting in Hong Kong, targeting global staff at overseas sites.

In Hong Kong, we also received the order for the Tate's Cairn Tunnel MOM Project, coming after the Eastern Harbour Crossing (EHC) MOM Project.

Development business

We created a new Urban Development Group to strengthen our approach to urban renewal and redevelopment projects, one of the strategies of our Medium-term Management Plan.

Moreover, we were recognized for our contribution as a subsidized project contractor in a project for the development of compelling residential areas in the Wakabayashi district of Shinjuku-ku, Tokyo, through neighborhood fireproofing and living environment improvements involving the replacement of dense wooden construction. This has led to receiving orders for joint rebuilding work.

PPP/PFI/concession business

In response to the future contraction of the Japanese construction market, we are advancing initiatives involving project participation with accompanying investment, specifically PPP and PFI projects, concession projects, infrastructure operation projects, and renewable energy projects, to secure a more diversified revenue base outside of construction contracting and secure a stable revenue base that will smooth out fluctuations in revenue.

In the past, we have participated in PPP and PFI projects, mostly service purchase-oriented projects. We are now advancing initiatives for large and diverse projects and self-supporting projects, and since FY2017 have continued bidding on these together with concession projects.

Future initiatives

Overseas Projects

The Kumagai Gumi Group will continue overseas business activities with a focus on Taiwan, Hong Kong, Southeast Asia, and South Asia. We will expand orders received for government pro bono construction work, and, with regard to private-sector construction, will aim to win orders by leveraging our record of success and our trusted relationships in Japan.

As a part of our global human resources development, we will dispatch architectural staff to worksites in Myanmar and India for short-term training of about two months. We will also send clerical staff on two-month assignments to our subsidiary in Bangkok.

In Hong Kong, we are seeking to acquire an extension of our contract for the Eastern Harbour Crossing (EHC) MOM Project. We are engaged in specific discussions with Sumitomo Forestry regarding the development business, focused on Southeast Asia. We are also studying investment projects involving local subsidiaries.

Development business

With our sights on the creation of opportunities to participate as the operating party in projects accompanying investment, we created an Urban Development Department within the Architectural Management Division. We will further strengthen our approach to development businesses, including urban renewal and redevelopment projects.

In the urban district redevelopment business, this fiscal year we will collect information on urban district redevelopment with a focus on becoming a business partner or designated business agent, and will conduct sales activities aimed at resolving issues in commercialization.

Regarding our approach to real estate development projects in which we act as business owner, we will actively consider proposals for commercialization.

PPP/PFI/concession business

Regarding the concession business that forms one of the pillars of Japan's future growth strategy, the infrastructure operation business, and the renewable energy business that promises stable revenue, we are positioning these as central sectors for our company as well, and will tackle these over the medium- to long-term.

Looking ahead, we will more actively tackle all of these business sectors.

Looking at Japan's economy during the consolidated fiscal year, the continuing high level of corporate earnings showed some signs of weakness. However, capital expenditures continued their upward trend, consumer spending remained solid against a backdrop of steady improvement in employment and wage levels, and mild recovery continued in business conditions.

In the construction industry, although residential construction remained generally flat, corporate construction investment increased and public works investment maintained its high level, continuing a favorable business environment.

Looking at our group's consolidated performance, net sales increased 4.0% from the previous fiscal year to 389 billion yen. Operating income was 26.4 billion yen and ordinary income was 26.5 billion yen due to improvement in gross profit ratio. Current net income attributable to shareholders of the parent company was 13.3 billion yen, due to factors including the recording of special losses (including provision for loss related to the Anti-monopoly Act).

■ Financial status

Assets (total assets: +6.0% year on year)

Total assets increased by 20 billion yen (6.0%) from the end of the previous consolidated fiscal year to 353.7 billion yen.

Current assets increased by 13.8 billion yen (5.1%) from the end of the previous consolidated fiscal year to 287.9 billion yen. Notes receivable and accounts receivable from completed construction contracts increased by 36.4 billion yen, due to an increase in completed construction work over the end of the fiscal year.

Non-current assets increased by 6.2 billion yen (10.5%) from the end of the previous consolidated fiscal year to 65.6 billion yen. Tangible non-current assets increased by 5.3 billion yen, due to factors including the acquisition of business real estate.

Liabilities (+5.6% year on year)

Liabilities increased by 11.5 billion yen (5.6%) from the end of the previous consolidated fiscal year to 218.8 billion yen.

Current liabilities increased by 13.2 billion yen (7.5%) from the end of the previous consolidated fiscal year to 191.1 billion yen. In addition to an increase of 10.8 billion yen in notes receivable and accounts receivable from completed construction contracts, etc. due to an increase in construction sales over the end of the fiscal year, we recorded a provision for losses of 3.9 billion yen related to the Anti-monopoly Law.

Fixed liabilities decreased by 1.7 billion yen (-6.0%) from the end of the previous consolidated fiscal year to 27.6 billion yen.

Net assets (+6.7% year on year)

Net assets increased by 8.5 billion yen (6.7%) from the end of the previous consolidated fiscal year to 134.8 billion yen. Retained earnings increased by 9.1 billion yen due to factors including the recording of 13.3 billion yen in current net income attributable to shareholders of the parent company, despite distribution of 4.2 billion yen in surplus.

Equity ratio increased 0.2 points from the end of the previous consolidated fiscal year to 38.1%.

■ Management performance

Net sales (+4.0% year on year)

Net sales increased by 15 billion yen (4.0%) from the previous consolidated fiscal year to 389 billion yen, due to an increase in construction work brought forward at the beginning of the period.

Gross profit (+13.2% year on year)

Gross profit increased by 5.3 billion yen (13.2%) from the previous consolidated fiscal year to 45.5 billion yen, due to improvement in gross profit margin. Gross profit margin improved 0.9 points from the previous consolidated fiscal year to 11.7%.

Selling, general and administrative expenses (+10.9% year on year)

SG&A expenses increased by 1.8 billion yen (10.9%) from the previous consolidated fiscal year to 19 billion yen, due to factors including increased personnel expenses caused by revised employee treatment.

Operating profit (+14.9% year on year)

Operating income increased by 3.4 billion yen (14.9%) from the previous consolidated fiscal year to 26.4 billion yen, due to improvement in gross profit. Operating income margin improved 0.6% from the previous consolidated fiscal year to 6.8%.

Non-operating profit and loss

Non-operating profit and loss increased 0.1 billion yen from the previous consolidated fiscal year to 0.6 billion yen, due to factors including an increase in dividend income.

Non-operating expenses decreased by 0.3 billion yen from the previous consolidated fiscal year to 0.5 billion yen, due to factors including a decline in expenses related to capital business tie-ups.

Ordinary profit

Ordinary income increased by 3.8 billion yen (17.1%) from the previous consolidated fiscal year to 26.5 billion yen, due to increases in operating income and non-operating income.

Extraordinary profit and loss

We recorded extraordinary profit of 0.1 billion yen, including 70 million yen in gain on sales of investment securities.

We recorded an extraordinary loss of 5.5 billion yen, including 1.3 billion yen in provision for contingent loss as an additional expense related to the condominium in Nishi-ku, Yokohama in which construction defects by our company were identified in 2014, and 3.9 billion yen in provision for loss related to the Anti-monopoly Act based on the draft order for payment of surcharge in accordance with the Anti-monopoly Act received by GAEART Co., Ltd.

Income taxes, etc.

We recorded adjusted income taxes, etc. of 0.4 billion yen due to residential tax and business tax of 7.3 billion yen, review of recoverability of deferred tax assets, etc.

Profit attributable to owners of parent (-15.7% year on year)

Current net income attributable to shareholders of the parent company decreased by 2.4 billion yen (-15.7%) from the previous consolidated fiscal year to 13.3 billion yen. Return on equity (ROE) declined 5.1% from the previous consolidated fiscal year to 10.2%.

A comparison with the performance target values set in the Medium-term Management Plan (FY2018-2020) – Strategies for Accelerating Growth is as follows.

Consolidated performance

Metrics	FY2018 (Planned)	FY2018 (Performance)	Difference
Net sales (million yen)	400,000	389,058	(10,941)
Operating profit (million yen)	24,000	26,464	2,464
Operating profit margin (%)	6.0	6.8	0.8

■ Status of cash flow

Cash flow from operating activities

Cash flow from operating activities was negative 12.3 billion yen (positive 17.6 billion yen in the previous consolidated fiscal year), due to factors including an increase in trade receivables accompanying increased completed construction work over the end of the fiscal year.

Cash flow from investing activities

Cash flow from investing activities was negative 7.3 billion yen (negative 14.0 billion yen in the previous consolidated fiscal year), due to factors including the acquisition of tangible non-current assets.

Cash flow from financing activities

Cash flow from financing activities was negative 6.1 billion yen (positive 30.8 billion yen in the previous consolidated fiscal year), due to factors including payment of dividends.

Cash and cash equivalents

The balance of cash and cash equivalents at the end of the current consolidated fiscal year, including a decline due to currency conversion, declined by 26.0 billion yen (24.0%) from the end of the previous consolidated fiscal year to 82.4 billion yen.

■ Capital resources and liquidity of funds

Within our group's demand for working capital, the greatest demand is for operating expenses including construction expenses involving construction projects and SG&A expenses. Capital demand for the purpose of investment is primarily for equipment investment.

The basic policy of our group is to stably secure sources of the funding and liquidity necessary for business operation.

Short-term working capital is based on self-funding and short-term borrowings from financial institutions. Capital related to equipment investment and long-term working capital are based on self-funding and long-term borrowings from financial institutions.

Our balance of interest-bearing debt at the end of the consolidated fiscal year was 12.8 billion yen.

■ Management performance by segment

Civil Engineering

Orders received increased by 19.9% from the previous consolidated fiscal year to 155.7 billion yen, due to factors including growth in the railway sector.

Net sales increased by 4.5% from the previous consolidated fiscal year to 111.6 billion yen due to an increase in construction work brought forward at the beginning of the period. Operating income increased by 48.2% in the same period to 8.6 billion yen, due to increased net sales and an improvement in gross profit margin.

Construction

Orders received increased by 18.4% from the previous consolidated fiscal year to 298.2 billion yen, due to factors including growth in the medical and welfare facilities sector caused by rush demand prior to the consumption tax hike.

Net sales increased by 4.1% in the same period to 195.4 billion yen, due to an increase in construction work brought forward at the beginning of the period. Operating income increased by 2.7% in the same period to 12.4 billion yen, due to increased net sales and an improvement in gross profit margin.

Subsidiaries

Net sales increased by 3.9% overall in the same period to 97.5 billion yen, due to an increase in construction work brought forward at the beginning of the period at GAEART Co., Ltd. and an increase in orders. Operating income increased by 5.0% in the same period to 5.3 billion yen, due to an improvement in gross profit margin and subsequent increase in gross profit.

■ Dividends

Our basic policy for distribution of profits is to fairly and stably return profits to shareholders, taking into account factors including our current business performance, our medium- to long-term business outlook, and the business environment, while striving to enhance internal reserves for the purpose of enhancing our management foundation and expanding business income.

At the end of the 82nd term, we paid a dividend of 100 yen per share, an increase of 10 yen per share from the 90 yen per share in the previous term, which had included a dividend of 20 yen per share to commemorate the company's 120th anniversary.

Looking ahead, we will place further importance on the return of profits to shareholders, and will continue returning profits with the goal of a 30% dividend propensity as stated in the Medium-term Management Plan (FY2018-2020).

* Numbers are rounded down to the nearest 100 million yen.

Consolidated Financial Statements

Consolidated balance sheet

(Unit: millions of yen)

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)		FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥108,536	¥82,449	Notes payable, accounts payable for construction contracts and other	¥76,043	¥86,893
Notes receivable, accounts receivable from completed construction contracts and other	139,287	175,696	Electronically recorded obligations - operating	29,297	33,172
Costs on uncompleted construction contracts	6,905	7,300	Short-term loans payable	4,090	3,030
Accounts receivable - other	12,178	15,696	Income taxes payable	2,871	4,821
Other	7,309	6,998	Advances received on uncompleted construction contracts	21,527	14,739
Allowance for doubtful accounts	(151)	(191)	Deposits received	20,700	19,411
Total current assets	274,066	287,949	Provision for warranties for completed construction	433	467
Non-current assets			Provision for loss on construction contracts	438	626
Property, plant and equipment			Provision for contingent loss	11,341	10,736
Buildings and structures	17,094	18,378	Provision for loss on anti-monopoly act	—	3,933
Machinery, vehicles, tools, furniture and fixtures	16,374	17,464	Provision for bonuses	3,911	3,911
Land	10,524	14,587	Other	7,188	9,397
Leased assets	262	398	Total current liabilities	177,845	191,141
Construction in progress	618	730	Non-current liabilities		
Accumulated depreciation	(25,370)	(26,723)	Long-term loans payable	10,389	9,819
Total property, plant and equipment	19,504	24,836	Provision for stock payments	—	42
Intangible assets	441	484	Retirement benefit liability	16,677	16,499
Investments and other assets			Other	2,378	1,331
Investment securities	24,382	24,438	Total non-current liabilities	29,444	27,692
Long-term loans receivable	858	858	Total liabilities	207,290	218,834
Long-term non-operating accounts receivable	235	157	Net assets		
Claims provable in bankruptcy, claims provable in rehabilitation and other	69	40	Shareholders' equity		
Deferred tax assets	11,427	11,045	Capital stock	30,108	30,108
Other	2,818	4,014	Capital surplus	25,157	25,157
Allowance for doubtful accounts	(271)	(189)	Retained earnings	68,540	77,642
Total investments and other assets	39,520	40,365	Treasury shares	(189)	(426)
Total non-current assets	59,466	65,686	Total shareholders' equity	123,616	132,481
Deferred assets			Accumulated other comprehensive income		
Share issuance cost	132	82	Valuation difference on available-for-sale securities	2,699	2,501
Total deferred assets	132	82	Foreign currency translation adjustment	516	349
Total assets	¥333,665	¥353,718	Remeasurements of defined benefit plans	(457)	(449)
			Total accumulated other comprehensive income	2,758	2,402
			Total net assets	126,374	134,883
			Total liabilities and net assets	¥333,665	¥353,718

Consolidated statement of income

(Unit: millions of yen)

	FY2017 (Apr 1, 2017 - Mar 31, 2018)	FY2018 (Apr 1, 2018 - Mar 31, 2019)
Net sales of completed construction contracts	¥374,019	¥389,058
Cost of sales of completed construction contracts	333,789	343,527
Gross profit on completed construction contracts	40,230	45,530
Selling, general and administrative expenses	17,188	19,065
Operating profit	23,041	26,464
Non-operating income		
Interest income	38	34
Dividend income	106	329
Share of profit of entities accounted for using equity method	144	159
Foreign exchange gains	—	3
Compensation for damage income	85	10
Other	148	91
Total non-operating income	524	629
Non-operating expenses		
Interest expenses	241	231
Foreign exchange losses	28	—
Commission for syndicate loan	223	183
Capital and business alliance expenses	236	—
Amortization of share issuance cost	16	49
Other	136	75
Total non-operating expenses	883	541
Ordinary profit	22,682	26,553
Extraordinary income		
Gain on sales of non-current assets	22	32
Gain on sales of investment securities	0	73
Gain on sales of memberships	39	0
Other	2	—
Total extraordinary income	64	106
Extraordinary losses		
Loss on sales of non-current assets	17	—
Loss on retirement of non-current assets	84	63
Compensation for damage	16	73
Loss on litigation	49	125
Provision for contingent loss	481	1,349
Provision for loss on anti-monopoly act	—	3,933
Other	1	7
Total extraordinary losses	651	5,553
Profit before income taxes	22,095	21,106
Income taxes - current	5,386	7,341
Income taxes - deferred	925	452
Total income taxes	6,311	7,793
Profit	15,783	13,312
Profit attributable to owners of parent	¥15,783	¥13,312

Consolidated statement of comprehensive income

(Unit: millions of yen)

	FY2017 (Apr 1, 2017 - Mar 31, 2018)	FY2018 (Apr 1, 2018 - Mar 31, 2019)
Profit	¥15,783	¥13,312
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,722)	(196)
Foreign currency translation adjustment	127	(167)
Remeasurements of defined benefit plans, net of tax	(83)	8
Share of other comprehensive income of entities accounted for using equity method	(7)	(1)
Total other comprehensive income	(1,685)	(356)
Comprehensive income	¥14,098	¥12,956
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,098	12,956
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

(Unit: millions of yen)

FY2017 (Apr 1, 2017 - Mar 31, 2018)

	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	¥13,341	¥7,880	¥55,377	¥(753)	¥75,845	¥4,428	¥388	¥(374)	¥4,443	¥80,288
Changes of items during period										
Issuance of new shares	16,767	16,767			33,534					33,534
Dividends of surplus			(2,621)		(2,621)					(2,621)
Profit attributable to owners of parent			15,783		15,783					15,783
Purchase of treasury shares				(77)	(77)					(77)
Disposal of treasury shares		509		641	1,151					1,151
Net changes of items other than shareholders' equity						(1,729)	127	(83)	(1,685)	(1,685)
Total changes of items during period	16,767	17,276	13,162	564	47,771	(1,729)	127	(83)	(1,685)	46,086
Balance at end of current period	¥30,108	¥25,157	¥68,540	¥(189)	¥123,616	¥2,699	¥516	¥(457)	¥2,758	¥126,374

FY2018 (Apr 1, 2018 - Mar 31, 2019)

	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	¥30,108	¥25,157	¥68,540	¥(189)	¥123,616	¥2,699	¥516	¥(457)	¥2,758	¥126,374
Changes of items during period										
Dividends of surplus			(4,210)		(4,210)					(4,210)
Profit attributable to owners of parent			13,312		13,312					13,312
Purchase of treasury shares				(238)	(238)					(238)
Disposal of treasury shares		0		1	1					1
Net changes of items other than shareholders' equity						(197)	(167)	8	(356)	(356)
Total changes of items during period	—	0	9,102	(237)	8,865	(197)	(167)	8	(356)	8,508
Balance at end of current period	¥30,108	¥25,157	¥77,642	¥(426)	¥132,481	¥2,501	¥349	¥(449)	¥2,402	¥134,883

Consolidated statement of cash flows

(Unit: millions of yen)

	FY2017 (Apr 1, 2017 - Mar 31, 2018)	FY2018 (Apr 1, 2018 - Mar 31, 2019)
Cash flows from operating activities		
Profit before income taxes	¥22,095	¥21,106
Depreciation	1,735	1,934
Amortization of share issuance cost	16	49
Increase (decrease) in allowance for doubtful accounts	(13)	(38)
Increase (decrease) in provision for contingent loss	(2,575)	(605)
Increase (decrease) in provision for loss on anti-monopoly act	—	3,933
Increase (decrease) in net defined benefit liability	(1,746)	(165)
Interest and dividend income	(145)	(363)
Interest expenses	241	231
Foreign exchange losses (gains)	30	(6)
Share of loss (profit) of entities accounted for using equity method	(144)	(159)
Loss (gain) on valuation of investment securities	(0)	(73)
Loss (gain) on sales of non-current assets	(4)	(32)
Loss on retirement of non-current assets	84	63
Decrease (increase) in notes and accounts receivable - trade	(14,814)	(36,504)
Decrease (increase) in costs on uncompleted construction contracts	209	(394)
Increase (decrease) in notes and accounts payable - trade	8,048	13,263
Increase (decrease) in advances received on uncompleted construction contracts	6,910	(6,759)
Decrease (increase) in other other assets and other	(668)	377
Other, net	3,879	(2,975)
Subtotal	23,138	(7,119)
Interest and dividend income received	147	371
Interest expenses paid	(242)	(227)
Income taxes paid	(5,402)	(5,423)
Net cash provided by (used in) operating activities	17,641	(12,398)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,763)	(7,245)
Proceeds from sales of property, plant and equipment	130	15
Purchase of investment securities	(240)	(226)
Proceeds from sales of investment securities	0	217
Purchase of shares of subsidiaries and associates	(10,271)	(92)
Payments of loans receivable	(52)	(107)
Collection of loans receivable	186	159
Other, net	(0)	(99)
Net cash provided by (used in) investing activities	(14,010)	(7,379)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(420)	(690)
Proceeds from long-term loans payable	8,884	550
Repayments of long-term loans payable	(9,407)	(1,490)
Proceeds from issuance of common shares	33,385	—
Proceeds from disposal of treasury shares	1,151	1
Purchase of treasury shares	(75)	(236)
Cash dividends paid	(2,621)	(4,210)
Other, net	(41)	(50)
Net cash provided by (used in) financing activities	30,856	(6,126)
Effect of exchange rate change on cash and cash equivalents	119	(181)
Net increase (decrease) in cash and cash equivalents	34,606	(26,085)
Cash and cash equivalents at beginning of period	73,926	108,532
Cash and cash equivalents at end of period	¥108,532	¥82,446

Corporate Information

■ **Company name:** Kumagai Gumi Co., Ltd.

■ **Founded:** January 1, 1898

■ **Incorporated:** January 6, 1938

■ **Representative:** Yasunori Sakurano, President and Representative Director

■ **Capital:** JPY 30.1 billion

■ **Number of Employees:** 4,032 consolidated; 2,497 non-consolidated (As of March 31, 2019)

■ **Scope of Business:** To investigate, survey, plan, design, execute, and supervise construction works, and to give technical guidance, provide comprehensive engineering, management, and consulting services as well as contracted construction businesses in respect thereof and to contract for such works.

■ **Headquarters:** 2-1, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8557, Japan

■ **Registered Head Office:** 2-1, 3-chome, Ote, Fukui-shi, Fukui 910-0005, Japan

■ **Domestic Offices:** Hokkaido Office, Tohoku Office, Tokyo Metropolitan Area Office, Nagoya Office, Hokuriku Office, Kansai Office, Chugoku/Shikoku Office, Shikoku Office, Kyushu Office, International Office, Technology Laboratory

■ **Overseas Offices:** China (Hong Kong), Taiwan, Vietnam, Sri Lanka, Myanmar

■ **Group Companies:** GAERT Co., Ltd., K&E Co., Ltd., Technos Co., Ltd., Techno-Space Creates Co., Ltd., FATEC Co., Ltd., Technical Support Co., Ltd., Taiwan Kumagai Co., Ltd.

Stock Information

Current Status

■ **Securities Code:** 1861

■ **Stock Exchange Listing:** First Section of the Tokyo Stock Exchange

■ **Total Number of Shares Authorized to Be Issued:** 71,400,000 shares

■ **Total number of shares outstanding:** 46,805,660 shares

■ **Share unit:** 100 shares

■ **Number of shareholders:** 38,474 (as of March 31, 2019)

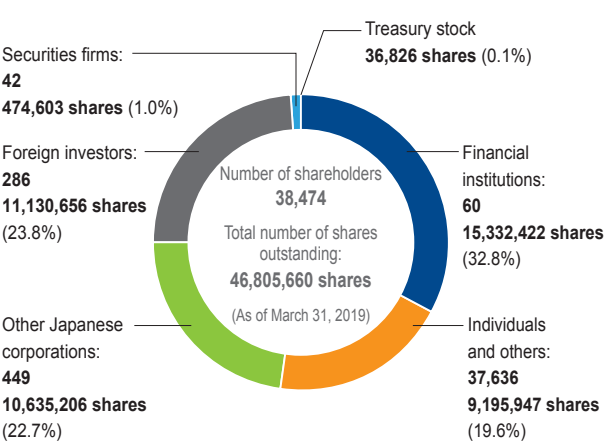
■ **Administrator of Shareholders Registry:** Sumitomo Mitsui Trust Bank, Limited

■ **Fiscal Year:** From April 1 through March 31

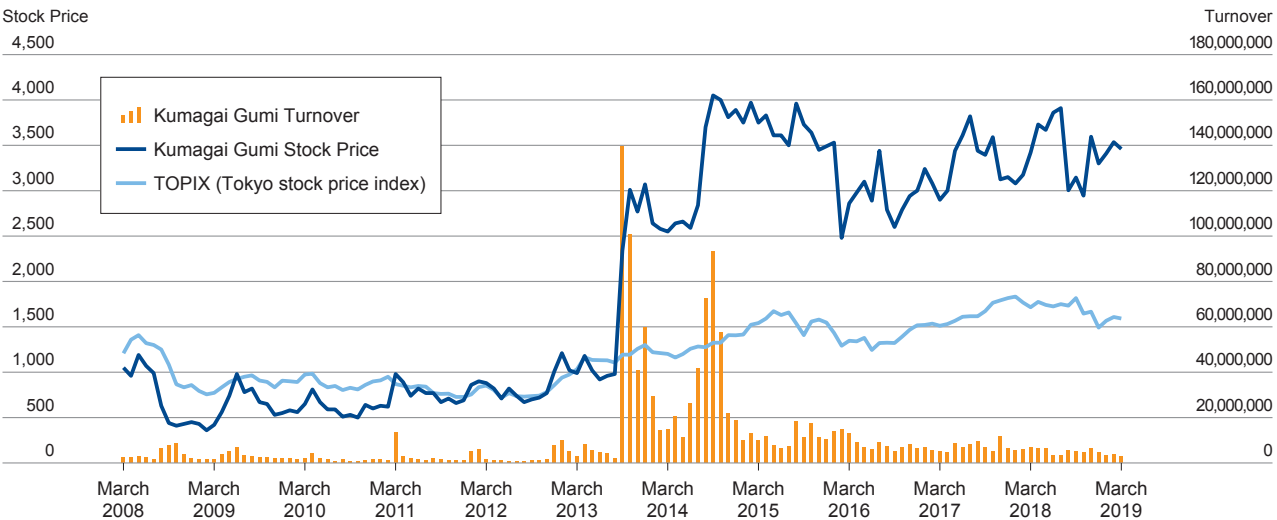
■ **Base Date for Annual Dividend:** March 31

■ **Annual Shareholders' Meeting:** June of the Year

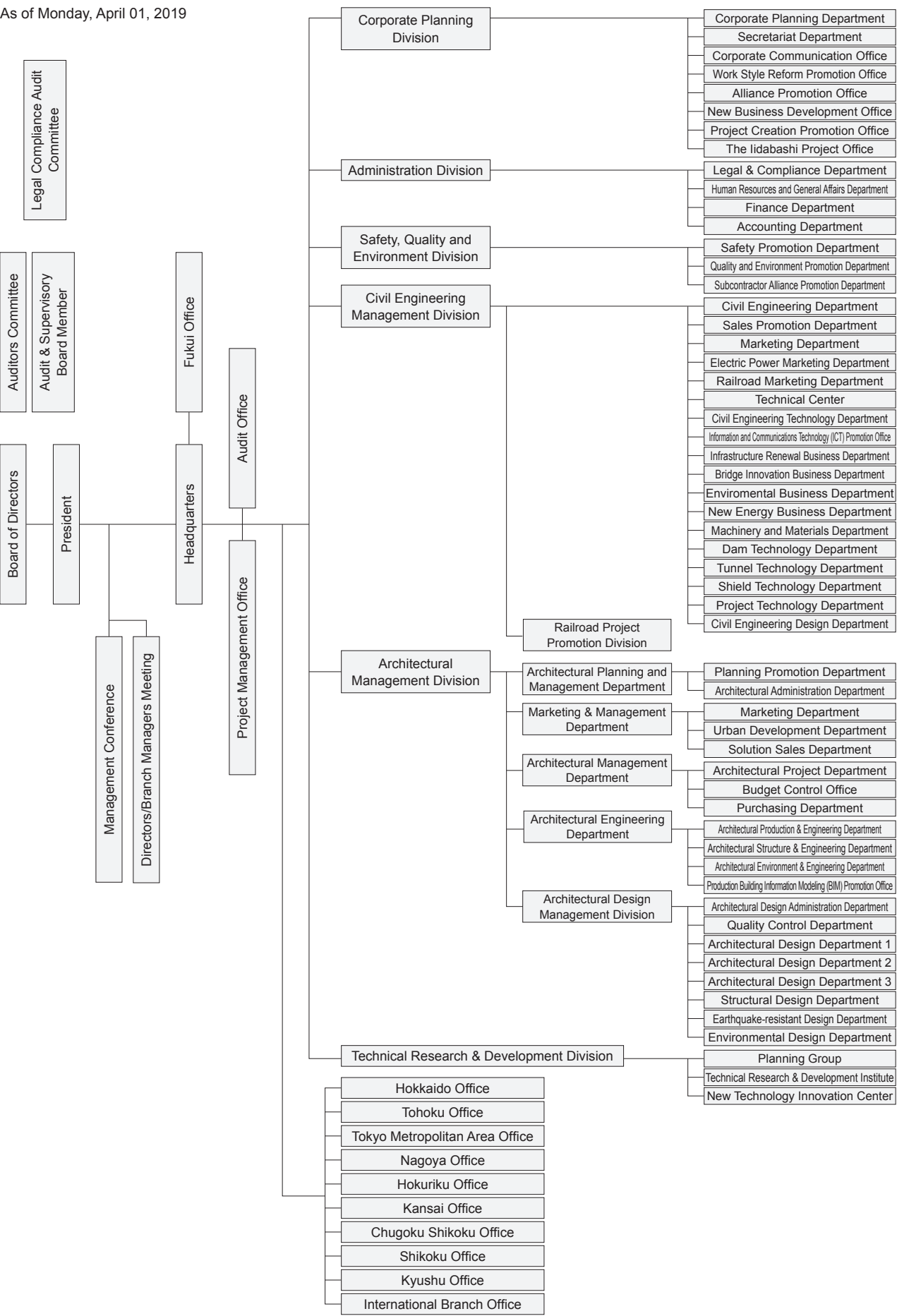
Shareholder Composition



Stock Trading Data



Organizational Chart



About the Front Cover

The large work at the top left is "Tomatoes Grown in Clean Water," which won the Kumagai Gumi Corporate Prize at "the Children's Painting Exhibit 2018: Rice Fields and Water in Your Hometown". The remaining seven works were created on the theme of the environment by children at Tsukudo Elementary School in Shinjuku, Tokyo.

* Kumagai Gumi supports opportunities to foster a mindset that treasures nature and the environment in the children who will lead the next generation. Together with the Tsukudo Elementary School sited adjacent to our headquarters, Kumagai Gumi actively engages in environmental learning and cleanup of the local area. The company also sponsors the above-mentioned Children's Painting Exhibit hosted by the National Water Earth Hometown Networks and the Prefectural Water, Earth, and Hometown Networks.



Kumagai Gumi Co., Ltd.

2-1 Tsukudo-cho, Shinjuku-ku, Tokyo 162-8557

<https://www.kumagaigumi.co.jp>

Inquiries

Corporate Planning Division Corporate Communication Office

TEL 81-3-3235-8155 FAX 81-3-5261-3716

E-mail info@ku.kumagaigumi.co.jp